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Budget '93

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Government of Ontario

Tough budget invests in jobs, protects services

The 1993 Ontario budget spells out the government's plans for investing in jobs, saving key services and breaking the debt trap. Finance Minister Floyd Laughren said that the budget will meet these goals "in a way that is fair and equitable to all."

The Ontario government will cut the projected cost of running government programs by \$4 billion. A Social Contract with public sector workers will save another \$2 billion through reduced wage and benefit costs.

Tax increases and the sale of government property will bring in about \$2.5 billion.

This will put the province's finances on a sound footing to save vital services and let us invest in jobs, Laughren said.

The deficit, which was heading to almost \$17 billion, is forecast to come down to \$9.2 billion. The spending cuts and new taxes mean Ontario will borrow less, and as a

result will save \$5 billion in debt interest costs over the next three years.

Laughren said the budget will help put Ontario back to work by:

- Investing almost \$4 billion

Universal and affordable health care will be protected

to build highways, transit services, telecommunications, hospitals, schools and water systems;

- Investing more than \$1 billion in training to help people get good jobs in the new economy;

• Helping local communities guide their economic future through **jobsOntario Community Action**, a new program supporting local economic development; and

- Starting to overhaul social assistance to make it easier for people to get back into the workforce and to help working families with low incomes.

The budget also maintains

the government's commitment to the services people in Ontario value.

Universal and affordable health care will be protected. User fees for visits to the doctor were rejected. North

America's most comprehensive pay-equity system for working women will be maintained with expanded funding.

The budget manages the debt by reducing spending, negotiating a Social Contract with employees, and increasing taxes based on the ability to pay.

The Ontario personal income tax rate has been raised, along with the surtax on the top 10 per cent of income earners. The retail sales tax will be extended to insurance policies, excluding individual life and health, and to non-residential parking.

This will mean a two-income family with two children earning \$60,000 will pay less than seven dollars a week more in taxes. A corporate minimum tax will be levied on large, profitable corporations paying little or no income tax.

The budget makes tough choices, but without controlling the debt, the government could not afford to continue investing in jobs and services.

Highlights

Budget '93 will help put more Ontarians back to work.

Highlights include:

- \$4 billion to build highways, transit services, telecommunications networks, hospitals and schools. It will create jobs and renew infrastructure
- \$1 billion investment in training and skills to prepare Ontario's workers for the new economy
- first government in 50 years to cut the growth in spending
- an increase in Personal Income Tax and surtax with those with the highest income paying the most
- introduction of a Corporate Minimum Tax on profitable corporations that pay little or no tax, with small businesses exempt
- \$145 million raised by closing corporate tax loopholes, eliminating outdated tax expenditures, improving collections, and reducing deductions for expense-account meals and entertainment
- no increase in the 8 per cent Retail Sales Tax but it is extended to most insurance policies
- abolition of the \$5 tax on new tires

Ripping up the credit card

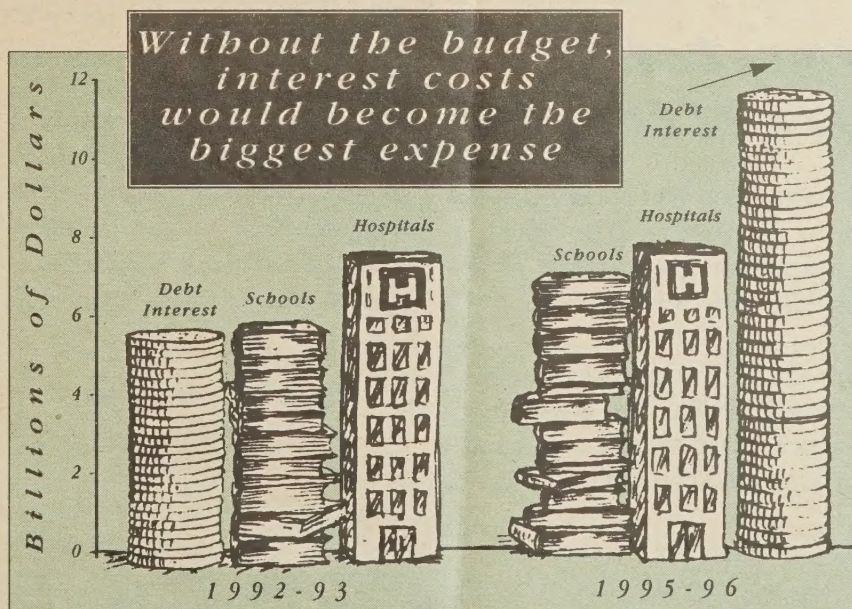
Anyone who has let their credit card account get out of control knows how hard it is to pay down the debt when the interest charges keep piling up.

"It's called a debt trap," Finance Minister Floyd Laughren said in the budget, "and we are determined not to be caught in one."

If Ontario fails to control spending and its debt, the economic recovery will be stalled and the services Ontarians value most will be unaffordable.

Last year interest charges on Ontario's debt cost almost \$5.4 billion. Without the changes in this budget, interest charges would rise to \$11.6 billion in three years. Debt interest would become the single biggest government expenditure, bigger even than spending on hospitals.

The changes in this budget will mean that this year 16 cents of every revenue dollar



will go to pay interest costs. Two years from now it will be 17 cents.

Without the changes in this budget, the cost two years from now would be 26 cents of every revenue dollar.

The public debt was \$42.2 billion when this government took office. Left unchecked it would rise to \$120.2 billion in 1995-96.

Failure to take action would fatally damage essential ser-

vices like hospitals and schools and undermine Ontario's ability to care for our most vulnerable citizens.

"To me," Laughren said, "the issue is not whether we control the growth in debt. The issue is how."

In bringing the deficit down at a responsible pace, the government is preserving investments in jobs and protecting

(Continued on page 3 — see First government in 50 years)

Ability to pay guides tax changes

Ontario Finance Minister Floyd Laughren calls his revenue package fair to the average family. "It asks Ontarians who have the most to pay the most, while protecting those who are the most vulnerable."

"It provides a fair balance — a balance in how much we cut, how much we borrow and how much we tax," he said.

The budget's revenue package increases the Ontario personal income tax rate and the surtax on the top 10 per cent of income earners.

It imposes a Corporate Minimum Tax on large, profitable companies. It closes corporate tax loopholes and reduces deductions for expense-account meals and entertainment. The revenue package goes hand in hand with spending reductions.

For every dollar raised by new taxes, almost four dollars has been found in cuts and savings. The goal is to keep the deficit down and to have money to invest in jobs and people. The government wants to put Ontario back to work.

The Ontario personal income

tax rate will be 58 per cent of Basic Federal Tax for 1993 and beyond. The change is a 3 point increase. The surtax rate for high income earners will also increase.

ance will be taxed at a lower rate of 5 per cent. RST will apply to non-residential parking, sand, soil and gravel.

The budget abolished the \$5 tire tax

New tax measures to support technological innovation will be introduced. Tax reductions for small businesses, manufacturers and resource industries introduced last year will be maintained.

Measures to close corporate tax loopholes, eliminate outdated tax expenditures, improve collections, and reduce deductions for expense-account meals and entertainment will raise \$145 million.

Laughren said the government is placing more emphasis on non-tax revenue measures.

New or increased fees will help to better recover costs of government programs and services. Asset sales or refinancings are expected to generate revenues of about \$915 million.

They include the sale of Skydome to a private consortium, better development and management of government-owned land and buildings, and \$190 million already in hand from the sale of the Province's remaining holdings in Suncor.



The Budget Dollar: Revenue, 1993

While the 8 per cent Retail Sales Tax (RST) has not been increased, it will apply to the cost of insurance premiums effective budget day. Individual life and health policies are excluded. Auto insur-

immediately and the Commercial Concentration Tax at the start of the 1994 tax year.

Minimum tax for corporations

Ontario's most profitable corporations will soon be subject to a Corporate Minimum Tax (CMT). The CMT means large, profitable corporations paying little or no corporate income tax will be required to pay a minimum amount.

Small businesses are exempt. The tax will only apply to corporations with total assets greater than \$5 million or gross revenues greater than \$10 million. So more than 90 per cent of all corporations in Ontario will not have to calculate or pay the CMT.

The CMT will not eliminate new or existing tax preferences. Instead, it will ensure corporations do not use tax preferences to completely eliminate or unduly minimize their corporate income taxes. It will be phased in over three years starting in the 1994 tax year.

When fully phased in, it will be levied at a rate of 4 per cent on Ontario adjusted book income.

Ontario will still be competitive with the United States. The United States imposes a more complex and onerous minimum tax on corporations.

The CMT is one way of improving the fairness of the corporate tax system. It builds on the work of the Fair Tax Commission.

The Government will be consulting on technical aspects before legislation is introduced.

Social Contract signals new way of working

It's not business as usual for the Province. The government wants to save \$2 billion in costs in the public sector but preserve as many jobs as possible. The plan involves negotiating a Social Contract with the province's 900,000 public sector workers that will

off from one hospital, they should have job posting rights at any other hospital in the province.

It's the first time a government in Canada has attempted such a contract with all its employers and employees.

The Social Contract is part of the government's three-pronged approach to reducing the deficit to under \$10 billion. The plan also includes controlling expenditures and increasing revenue.

A Social Contract is an agreement among public sector partners — government, employers and employees. But it's also a new way of working with the public sector. There's more openness and accountability and an opportunity to create partnerships on capital investment, reform collective bargaining, and establish ways to restructure the workplace and retrain employees.

The goal is to save jobs and services

reduce compensation while preserving as many jobs and services as possible.

Their wage bill is more than half of total government spending of \$53 billion.

The government has made a number of proposals to workers. They include a three-year wage freeze, one day off a month (or the equivalent) unpaid, and a greater say in restructuring, retraining and redeployment decisions. For example, if workers are laid

First government in 50 years to cut costs

(continued from page 1)

the services Ontario values most.

Simply to let the debt increase each year at a faster pace would be irresponsible.

Consumers would know more and more of their incomes would be taxed away to pay the cost of public debt interest — not just this year, but long into the future.

Businesses looking for a good place to invest would be discouraged from locating here.

All of us who rely on our

health care system and other public services would know that, sooner or later, there simply would not be enough

money to maintain those services.

And more and more money would go to pay lenders in New York, Zurich and Tokyo instead of being invested here in Ontario — in Ontario services and Ontario jobs.

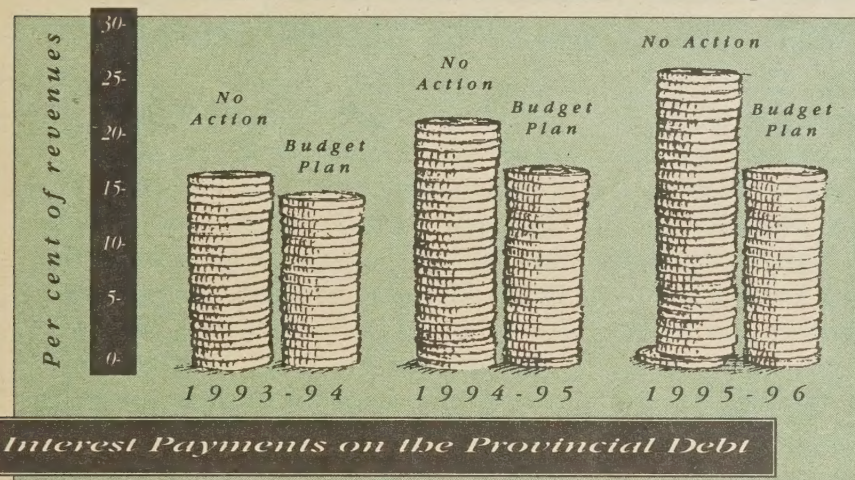
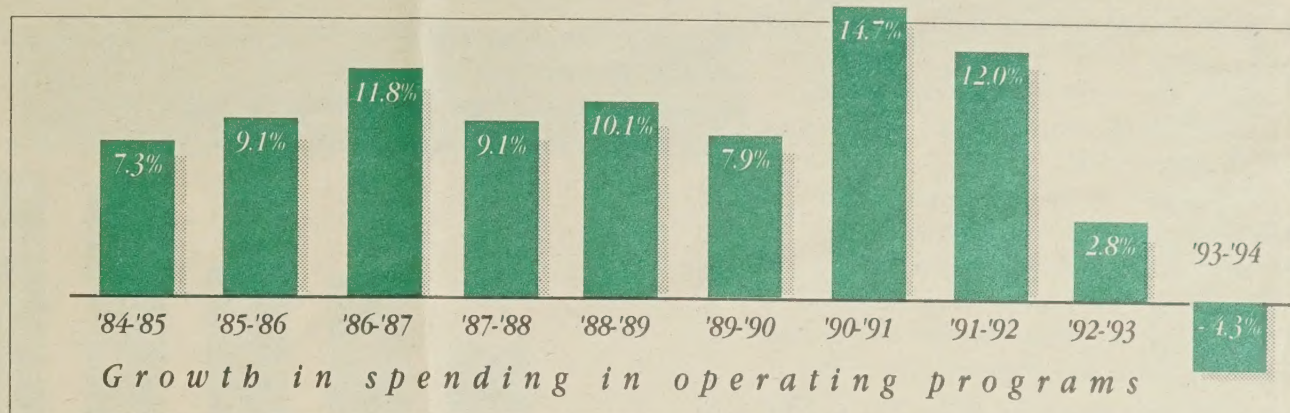
In March, the government warned that without action the deficit could grow to almost \$17 billion in 1993-94.

With the actions taken in the budget, Ontario will save almost \$5 billion in interest costs over the next three years. That's almost \$500 for every person in Ontario.

Almost half of the deficit reduction achieved has come from cutting government costs. About one-quarter will be achieved in cost reductions being negotiated under the Social Contract.

This is the first time any government has reduced spending since 1942. For every dollar in new taxes, we have achieved almost four dollars in savings.

A two-income family with two children earning \$60,000 will be asked to pay a tax increase of less than \$7 per week. "I think that's a fair balance," Laughren said.



Cutting spending starts at home

Finance Minister Floyd Laughren moved in April to control spending — and the biggest cut comes from internal operations, making the government leaner and more efficient.

approach to reducing the debt, along with negotiating a Social Contract with public sector workers and increasing revenue. The deficit will be cut from a projected \$17

sal medicare will continue to be a sustaining feature of our society.

"To save medicare we have to make it more affordable," Laughren said.

To do this, the government is:

- Targeting spending by no

- Encouraging doctors to move to areas that lack physicians, while restricting the number of doctors in cities that have too many; and

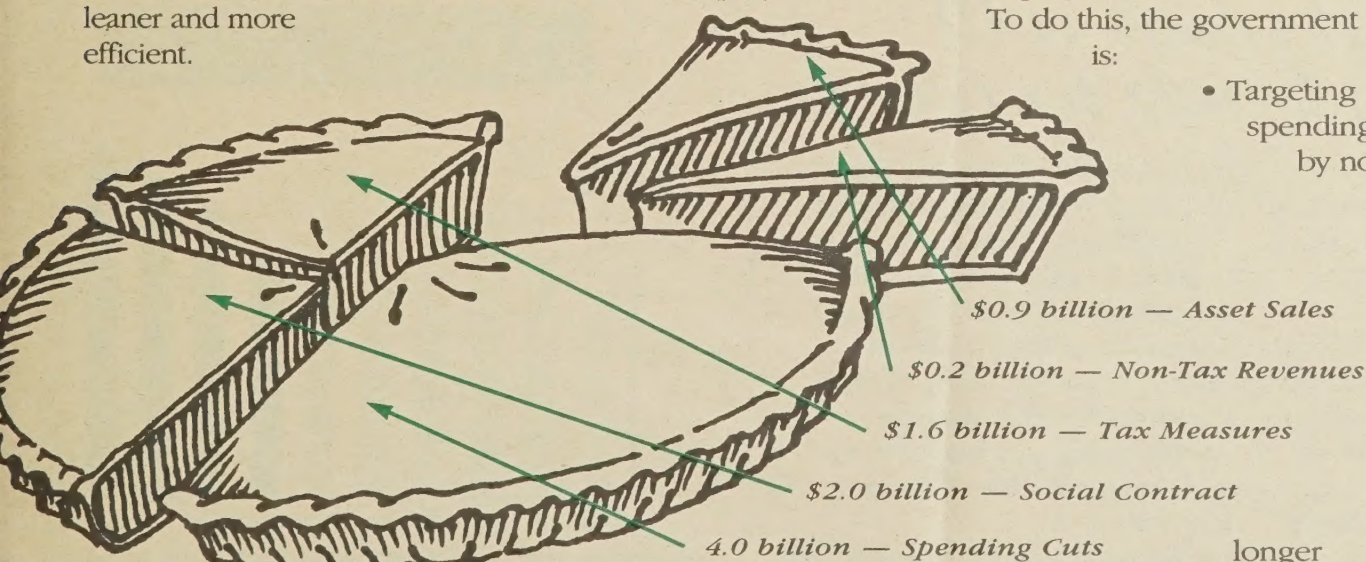
- Reforming the Ontario Drug Benefit program by asking those who benefit from it — drug manufacturers, pharmacists and consumers — to find ways to keep the program affordable.

"In these ways and other ways," Laughren said, "we are preserving medicare by managing our health spending better. We reduced the growth in health spending — which averaged 11 per cent per year in the 1980s — to under one per cent last year."

Social assistance costs have doubled in the past four years. Steps have been taken to save \$174 million in this area.

A start has been made to reform the social assistance system so that it connects people to education, training, work and volunteer community activity.

"This overhaul will enable people to move out of the welfare system into the labour market," Laughren said.



How the deficit was cut

Laughren made a total of \$4 billion in cuts in his pre-budget Expenditure Control Plan (ECP). The largest single cut was \$750 million, achieved by merging ministries, streamlining programs and cutting red tape. Cutting ministries from 28 to 20 saves \$40 million in overhead.

The ECP is part of the government's three-pronged

billion to under \$10 billion.

Eleven thousand public sector positions will be affected, although attrition will cushion the effect on workers.

"Our health care system — the service that affects more Ontarians than any other — is an achievement in which all Ontarians can take pride. This government is determined to ensure that univer-

longer paying for services that have little to do with health, like removing tattoos;

- Limiting the spending of Ontario tax dollars to buy for-profit medical care in foreign countries;

- Speeding up the reform of long-term care for seniors and people with disabilities so those who need regular care can find it in their community without having to use expensive hospital beds;

Budget expands jobsOntario

The new budget is first of all about jobs. It is a plan for investing in jobs, reducing the costs of government, protecting services, and raising needed revenues.

"The goal of this government's economic plan is to invest in Ontario's future, rather than borrow from it," Finance Minister Floyd Laughren said. This budget will build on the success of the **jobsOntario** program started last year. The government will commit \$300 million over three years to a new program called **jobsOntario Community Action**. The new program will consolidate an array of existing programs and draw a \$120 million special allocation from **jobsOntario Capital**.

The new program will help fund capital programs that promote new growth. It will assist special local corporations to raise community funds for enterprises

The government plans to boost jobsOntario Capital funding by \$1 billion to \$3.3 billion

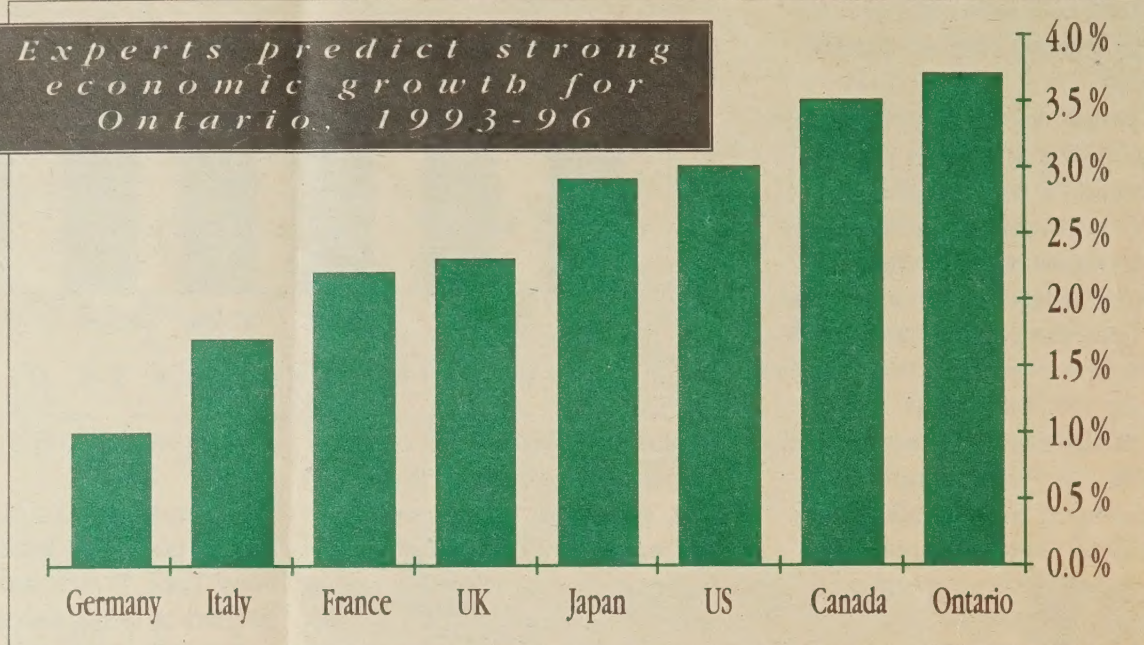
unable to obtain capital from traditional sources.

It will also fund feasibility studies and marketing programs.

The program will help all parts of society, with special funding to reach women, Aboriginal groups and others.

More details will come from the Ministry of Economic Development and Trade on how to bring forward proposals.

Experts predict strong economic growth for Ontario, 1993-96



The government also plans to boost **jobsOntario Capital** funding by \$1 billion, to \$3.3 billion over the next three years. **jobsOntario Capital** created 8,400 full-year jobs in 1,700 projects in its first year. The additional funding will help build roads, transit lines and other facilities.

Some projects include building 116 new water and sewer projects, widening the QEW between Hamilton and St. Catharines, accelerating construction of Highway 407, expanding Toronto's subway system, opening a skills training centre in Whitby, and constructing Sudbury's southeast bypass.

The budget also outlines a total investment of \$1.2 billion in training. The figure means an increase of 77 per cent in the past four years.

Funding for **jobsOntario Training** will triple. The program helps people on social assistance or at the end of their Unemployment Insurance benefits get back to work. It also helps update the skills of existing workers. Employers have created 24,500 positions under **jobsOntario Training**. Many of the people who have found jobs under this program were relying on social assistance.

The increase to \$329 million will allow 35,000 to 40,000 unemployed workers, and the same number of those already employed, to get training.

Another \$180 million will go to jobs, training and upgrading education for young people through **jobsOntario Youth** and other programs.

Government plan will put Ontario back to work

The government's plan to put Ontario back to work by investing in jobs and people was first outlined in the April 13 Speech from the Throne.

"Even though the job picture is improving, unemployment is still unacceptably high. That is why the cornerstone of our economic package is to support investment that will strengthen the recovery and create jobs," Finance Minister Floyd Laughren said.

The plan to put Ontario back to work includes:

- Investing in infrastructure by building highways, transit, water systems, sewers and telecommunications that will create 100,000 jobs over the next decade.
- Building partnerships and strengthening industry by continuing to create and maintain jobs in key sectors through the Sector Partnership Fund.
- Supporting communities and local enterprise by starting a new program to encourage economic development called **jobsOntario Community Action**.
- Emphasizing education and training

by tripling the Province's investment in **jobsOntario Training**.

- Supporting families to get back to work by providing 14,000 more subsidized day care spaces and setting out plans for welfare reform in an upcoming White Paper on Social Assistance.

- Extending pay equity to an additional 400,000 working women.

- Reforming health care by making further cuts in unnecessary spending while ensuring universal coverage.

- Sustaining the environment by continuing to invest in the three Rs program — reduce, reuse, recycle — to make it the most comprehensive program in Canada.

- Strengthening social justice by acting on recommendations in the Stephen Lewis report on racism and seeking passage of an Employment Equity Act this session.

- Controlling government costs by cutting projected expenditures by \$4 billion



and negotiating a further \$2 billion reduction in spending through a Social Contract with public sector workers.

Comments? Please write to:
Floyd Laughren,
Minister of Finance,
7th Floor, Frost Building South,
7 Queen's Park Crescent,
Toronto, Ontario M7A 1Y7



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